Exhibit 2B Surplus Study Written Responses

<u>AIU Insurance Company (FEIN# 135303710)</u>

<u>Surplus Analysis</u>

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company’s result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company’s RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company’s Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $213.0 million and $725.7 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

<u>Outlook</u>

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company’s broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company’s results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company’s results of operations, liquidity or financial condition.

Granite State Insurance Company (FEIN# 020140690)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $218,266 and $34,765,343, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008, however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

Illinois National Insurance Co. (FEIN# 370344310)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC result and Total Adjusted Capital level at December 31, 2008, as determined from its 2008 Annual Statement, amounted to $302,325 and $59,588,367, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008, however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

Landmark Insurance Company (FEIN# 222147221)

Surplus Analysis

The National Association of Insurance Commissioners (NAIC) has adopted a Risk-based Capital (RBC) formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutory-imposed minimum capital and surplus requirements.

In connection therewith, the Company's *Authorized Control Level RBC* and *Total Adjusted Capital level*, as determined based on its 2008 Annual Statement, amounted to $21.9 million and $155.8 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in casualty and non-catastrophe property commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The Company has been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Company and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008; however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

Lexington Insurance Company (FEIN# 251149494)

Surplus Analysis

The National Association of Insurance Commissioners (NAIC) has adopted a Risk-based Capital (RBC) formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutory-imposed minimum capital and surplus requirements.

In connection therewith, the Company's *Authorized Control Level RBC* and *Total Adjusted Capital level*, as determined based on its 2008 Annual Statement, amounted to $1,003.3 million and $4,262.8 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in casualty and non-catastrophe property commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The Company has been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Company and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008; however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

AIG Excess Liability Insurance Company Ltd. (FEIN# 522114170)

Surplus Analysis

The National Association of Insurance Commissioners (NAIC) has adopted a Risk-based Capital (RBC) formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutory-imposed minimum capital and surplus requirements.

In connection therewith, the Company's *Authorized Control Level RBC* and *Total Adjusted Capital level*, as determined based on its 2008 Annual Statement, amounted to $287.6 million and $1,437.9 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in casualty and non-catastrophe property commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The Company has been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Company and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008; however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

American International Specialty Lines Insurance Company (FEIN# 020309086)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's Risk-based Capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital and Surplus level as of December 31, 2008, as determined based on its 2007 Annual Statement, amounted to $137.4 million and $726.2 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The Company has been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Company and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008; however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

American Home Assurance Company (FEIN# 135124990)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $1,407.1 million and $5,374.1 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008, however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

National Union Fire Insurance Company of Pittsburgh, Pa. (FEIN# 250687550)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $2,904.7 million and $10,934.1 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008, however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

AIG Casualty Company (FEIN# 251118791)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $314.5 million and $1,339.4 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

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Commerce and Industry Insurance Company (FEIN# 131938623)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $467.5 million and $2,577.8 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008; however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

The Insurance Company of the State of Pennsylvania (FEIN# 135540698)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $426.9 million and $1,894.7 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008, however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

New Hampshire Insurance Company (FEIN# 020172170)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's risk-based capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital level, as determined based on its 2008 Annual Statement, amounted to $243.6 million and $1,534.8 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The members of the Commercial Pool (Pool members) have been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Pool members and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008, however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.

American International South Insurance Company (FEIN# 026008643)

Surplus Analysis

The National Association of Insurance Commissioners ("NAIC") has adopted a risk-based capital ("RBC") formula to be applied to all property and casualty insurance companies. RBC is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. A company's Risk-based Capital is calculated by applying different factors to various asset classes, net premiums written and loss and LAE reserves. A company's result from the RBC formula is then compared to certain established minimum capital benchmarks. To the extent a company's RBC result does not either reach or exceed these established benchmarks, certain regulatory actions may be taken in order for the insurer to meet the statutorily-imposed minimum capital and surplus requirements.

In connection therewith, the Company's Authorized Control Level RBC and Total Adjusted Capital and Surplus level as of December 31, 2008, as determined based on its 2007 Annual Statement, amounted to $137.4 million and $726.2 million, respectively. Given these results, the Company has satisfied the capital and surplus requirements of RBC for the 2008 reporting period.

Outlook

The commercial property and casualty insurance industry has historically experienced cycles of price erosion followed by rate strengthening as a result of catastrophe or other significant losses that affect the overall capacity of the industry to provide coverage. Despite industry price erosion in commercial lines, the Company expects to continue to identify profitable opportunities and build attractive new businesses as a result of the Company's broad product line and extensive distribution networks. There can be no assurance that price erosion will not become more widespread or that the Company's results will not deteriorate from current levels in major commercial lines.

Losses caused by catastrophes can fluctuate widely from year to year, making comparisons of results more difficult. With respect to catastrophe losses, the Company believes that it has taken appropriate steps, such as careful exposure selection and adequate reinsurance coverage, to reduce the effect of possible future losses. The occurrence of one or more catastrophic events of unanticipated frequency or severity, such as a terrorist attack, earthquake or hurricane, that causes insured losses, however, could have a material adverse effect on the Company's results of operations, liquidity or financial condition.

The Company has been generally successful in retaining clients, although some clients have reduced the number of lines or limits of coverage due in part to concerns over AIG's financial strength. In addition, the number of new business opportunities has declined since September of 2008. Senior management has spent considerable time since September 2008 meeting with policyholders and brokers explaining the financial strength of the Company and the protections afforded policyholders by insurance regulations. The retention of existing business was moderately lower in the fourth quarter of 2008; however retention levels have improved in the early part of 2009. Overall, rates are essentially flat in early 2009 compared to the first quarter of 2008. The stabilization of rates is an improvement from the fourth quarter of 2008 and reflects the offsetting effects of downward pressure on premiums from the current recessionary environment and the recent introduction of new competitors in the marketplace and the upward pressure on premiums from the combination of investment and underwriting losses suffered by the commercial insurance industry.